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Israel: [The introduction of SA-3 missiles into Egypt has raised uncertainty in Israel over Soviet intentions and has provoked a wide-ranging debate on future actions.]

[Israeli leaders had assumed that the Soviet Union would move cautiously in the Middle East and would avoid getting directly involved in the fighting. US Ambassador Barbour believes Tel Aviv now is less certain of this. Fears are being expressed that Moscow may be drawn into the conflict despite itself, creating a spiral of involvement that neither Israel nor the USSR wants.]

[The thesis that Israel could handle the situation by itself is getting less publicity now. There is more emphasis on the need for US support and a US warning to the Soviets against greater involvement.]

[There is a consensus among the Israeli leadership and public, however, that air superiority must be maintained over the Suez Canal area in order to keep Nasir from any military adventures. There is general agreement that the canal and the area immediately west of it must be left free of SA-3s or any other effective air defense system.]

[Such top leaders as Prime Minister Meir and, most recently, Defense Minister Dayan have indicated that Israel would not make any air raids against Alexandria, Cairo, or the Aswan Dam--all areas of special interest to the Soviets.]

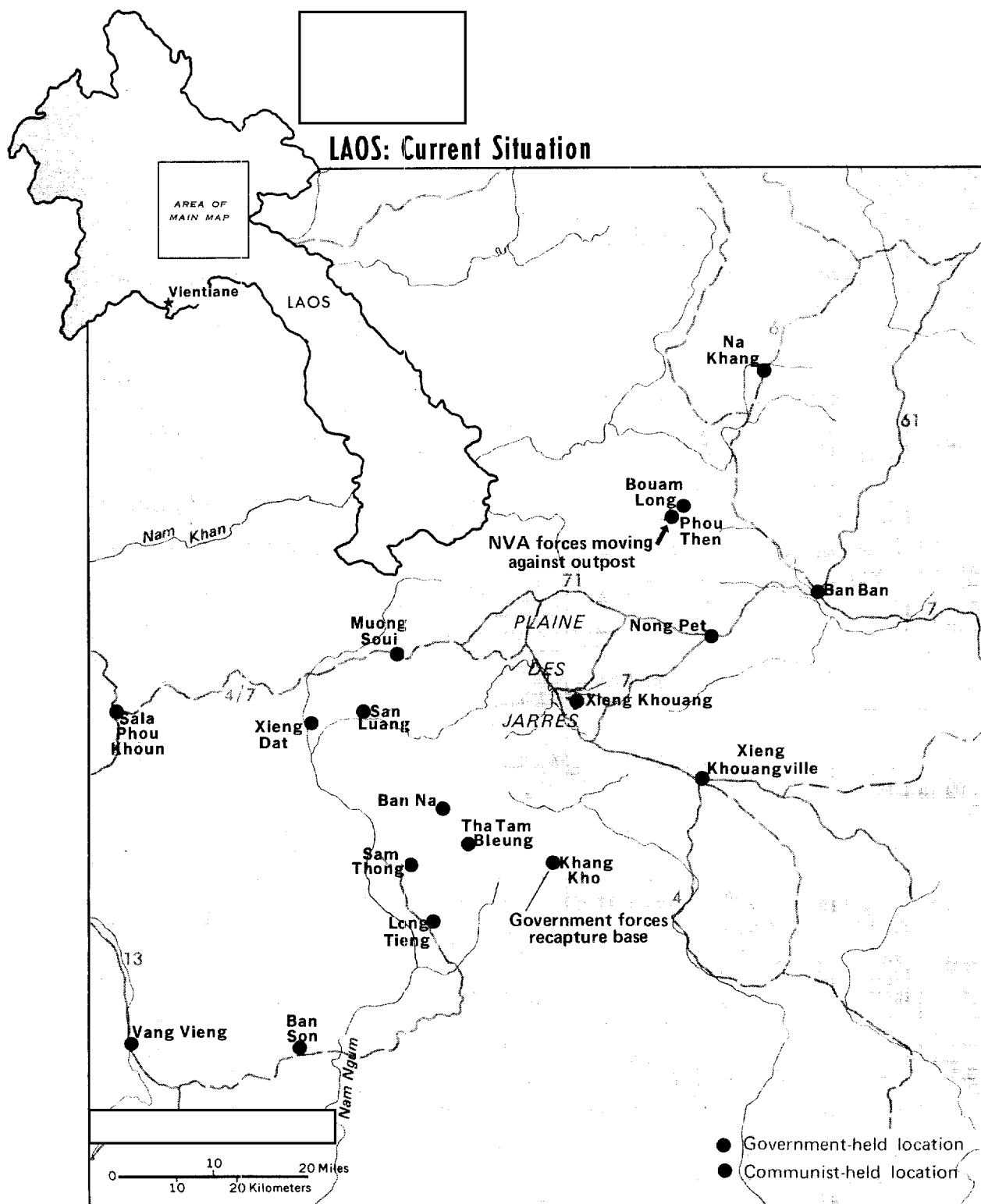
[Even though Tel Aviv has no guarantee that Moscow will not extend the new defenses to the canal area, the Israelis have refrained from attacks on SA-3 sites at Alexandria, Cairo, and Aswan, perhaps to encourage Soviet restraint. At the same time, the Israelis have carried out heavy daily bombing raids along the canal not only to destroy military installations but also to dissuade the Soviets from attempting to install an effective air defense system.]

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Laos: Communist forces have begun to move against Bouam Long, the most important government base north of the Plaine des Jarres.

After weeks of reconnaissance and battlefield preparation, the Communists launched a series of ground assaults yesterday against government positions at Phou Then, an outpost guarding the southwestern approaches to Bouam Long. Guerrilla defenders at Phou Then reported that five enemy companies, supported by heavy artillery, took part. The attacks, all of which were successfully repulsed, followed two days of intensive Communist shelling.

The situation southwest of the Plaine in the critical Long Tieng - Sam Thong area remains relatively stable. Government forces, meanwhile, have begun an offensive in the Tha Tam Bleung area. Vang Pao's guerrillas reoccupied the nearby base at Khang Kho, which was lost to the enemy last month.



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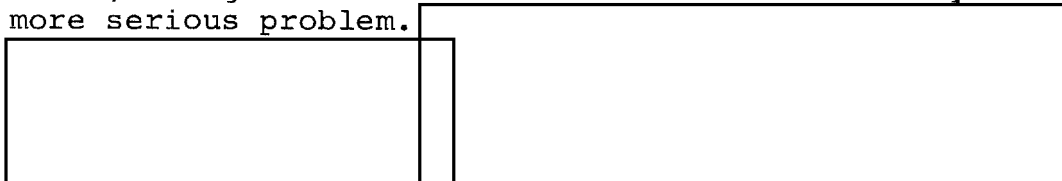
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South Vietnam: The level of political discontent and agitation in Saigon is again on the rise.

Although the government has tried a combination of firmness and conciliation in dealing with veterans marching on the presidential palace and the National Assembly building during the last two days, it has been unable to head off violence. Despite orders to exercise restraint, the police were forced to use tear gas on a number of occasions.

President Thieu is anxious to prevent further demonstrations by veterans' groups, probably because he fears troops serving in the armed forces sympathize with their cause. In answer to the veterans' demands for adequate housing, the government has offered some temporary quarters in Saigon while more permanent housing is constructed. This has failed to mollify the veterans, however. [In an effort to defuse the situation, President Thieu has asked for urgent National Assembly action on a bill providing increased monetary benefits for the veterans.]

Government attempts to calm the situation have been complicated by a simultaneous student protest, as well as by general discontent over the increasing cost of living. Although some students participated in one clash between veterans and police, there is no evidence that the disaffected elements generally plan to join forces. Should such a development occur, the government would be faced with a much more serious problem.



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USSR - Communist China: Soviet officials say the USSR and Communist China have agreed to exchange ambassadors.

One official explained that a public announcement has been delayed pending Peking's agreement to Moscow's nominee, Vladimir Stepanov. He said the Chinese indicated they might wait until "a little later" to name their own ambassador. There has been no confirmation of the agreement from the Chinese side. The Soviet and Chinese ambassadors were withdrawn in 1966.

The Soviets may feel that in sending an ambassador to Peking now, they would be able to bring Deputy Foreign Minister Kuznetsov home, but continue the Peking talks at a lower level, thus avoiding the appearance that the discussions have failed. Stepanov, who most recently headed the Central Committee Propaganda Department, does not have experience in either diplomatic or Chinese affairs.

The Soviets have portrayed the appointment as "good news" and evidence of progress at the Peking talks. There is, however, no indication of any movement on basic differences involved in the frontier question. Moreover, Moscow's war of words against China continues hot and heavy. By informing the US of the ambassadorial agreement, the Russians may be trying to foster the notion that they have their problems with China under control on the eve of the second round of SALT.

For its part, Peking clearly views the current talks as a useful way to forestall Soviet military and diplomatic pressure. As a result, they also have an interest in creating the appearance of some progress and probably will accept the new Soviet ambassador.



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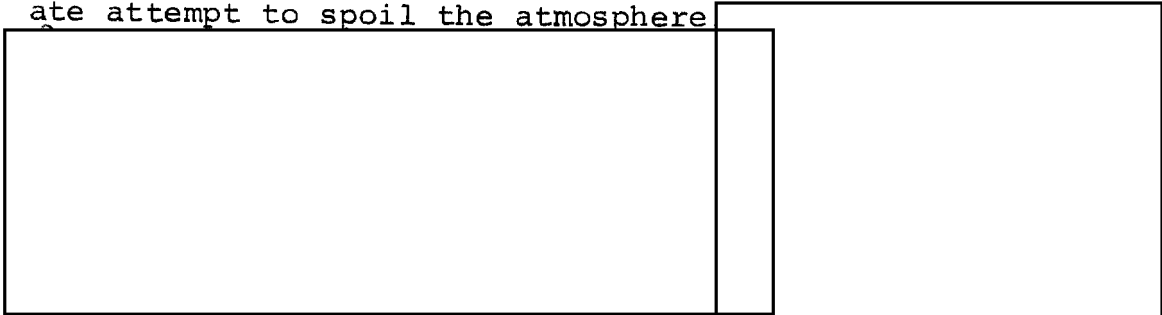
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Hungary: The Kadar regime received an important endorsement from the Soviet leadership during the commemoration of Hungarian liberation day last week, but some differences with its allies were also aired.

Soviet party boss Brezhnev highlighted the occasion by publicly endorsing Kadar's "creative" approach to socialist construction, something the Soviets had not done since the Czechoslovak crisis in 1968. Brezhnev also praised Kadar personally and lauded the Hungarian party's "principled policy." These statements could help ease tensions generated by the ambiguous positions taken by the Soviets in the recent past.

Some differences in nuances did crop up. Brezhnev quoted an earlier statement by Kadar to the effect that national interests must not be allowed to work to the detriment of internationalist goals. Kadar's anniversary speech, however, contained a strong argument for the role of legitimate national interests in Hungarian development. These variations, however, were kept in low key and the Hungarian party leadership probably judges that Brezhnev's endorsement satisfied the demands of the occasion.

East Germany's Walter Ulbricht injected a strong discordant note into the proceedings by all but ignoring the Hungarian holiday and by using the forum for a tirade against the West Germans. The Hungarians begin trade talks in Bonn this week and they probably view Ulbricht's interference as a deliberate attempt to spoil the atmosphere



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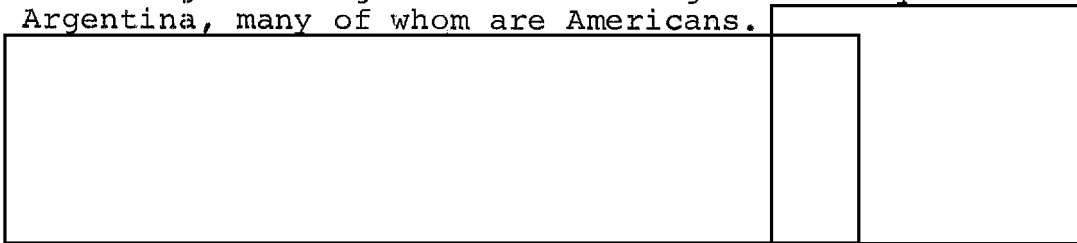
Argentina: The government intends to seek OAS action to help curb terrorism, but fears objections from some countries.

A Foreign Ministry official said he expects to begin sounding out other governments soon on denying political asylum to persons involved in terrorism; Argentina has had such a law since 1963.

In the mid-1950s Argentina proposed a similar plan to the OAS, but received no backing. This time the government fears that many Latin American republics, especially those faced with elections soon, will not wish to discuss political subjects at the June OAS meeting in Santo Domingo.

Argentina is the only Latin American country to defy kidnapers successfully by refusing to release prisoners in exchange for a hostage. Government leaders believe that the only way to end the kidnaping menace is to take a firm stand, even though it may initially cost the lives of a few foreign representatives.

The government is extremely concerned, however, that terrorists may plan some spectacular incident involving the large resident foreign community in Argentina, many of whom are Americans.



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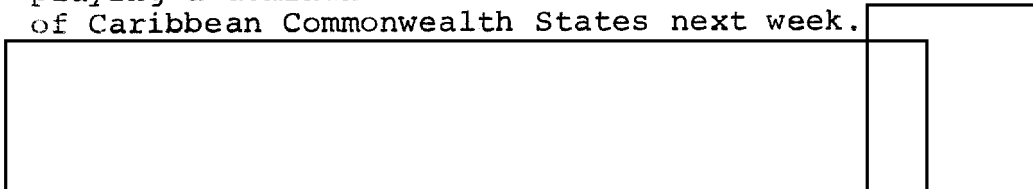
Guyana: Prime Minister Burnham plans to give his new economic program a strongly nationalistic and socialistic bent.

Burnham outlined his plan in a demagogic speech to the annual meeting of his People's National Congress Party on 5 April. He attacked foreign aid, including US assistance, and strongly criticized private investment and foreign banks. He demanded 51 percent equity in future foreign investment projects in forests and minerals.

Burnham also demanded elimination of the "metropolitan presence," presumably the US and Britain, from the Caribbean. In an obviously contrived maneuver, a resolution was passed immediately after his speech calling on the government to take control of imports and "similar transactions," to establish cooperatives in the insurance field and to ensure that all official entities henceforth deal exclusively through the National Cooperative Bank.

If the government takes action along these lines or if similar resolutions are passed by the party, Burnham will probably find it increasingly difficult to get the foreign investment and international economic assistance Guyana needs.

Burnham's fiery address was an apparent effort to gather support for the cooperatives, as well as to draw support from followers of Marxist leader Cheddi Jagan. He also may have set the scene for playing a dominant role at the conference of heads of Caribbean Commonwealth States next week.



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Panama: [The government is intensifying its efforts to gain popular support, even at the expense of further alienating the business community.]

[Workmen's compensation insurance, previously handled by private companies, is being taken over by the government's Social Security Fund. Insurance companies have attacked the decree as tantamount to expropriation and the business community is concerned because there was no prior consultation with the insurance industry. The bankers, in particular, fear that the government might next move against them.]

[The moves are being pressed by Panamanian strongman General Torrijos, who has backtracked from such efforts in the past when faced with business opposition and calls for caution from his civilian ministers. In this case he ignored the cabinet's recommendation that the decree be postponed and ordered its immediate implementation.]

[Torrijos has had little success in gaining investor confidence or in stimulating private domestic investment. He has been forced by economic and political developments to continue an expensive public works program and may be planning to further increase the government's role in the economy.]

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Tunisia: [The impending treason trial of former economic chief and leading socialist Ahmed ben Salah may pose new problems for the government.]

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[One difficulty for the government lies in the possibility that Ben Salah will emerge from the trial as a martyr. The proceedings will certainly compound the already substantial antigovernment feeling among Tunisian intellectuals and students, and will generate an unsympathetic reaction in the foreign press. Moreover, the government risks widening the credibility gap it has faced since last fall when it failed to acknowledge the involvement of other top Tunisian leaders who had endorsed Ben Salah's now discredited programs.]

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Trinidad-Tobago - Caribbean: The black power movement in Trinidad and Tobago continues to demonstrate durability and a potential for spontaneous violence. Weekend protests on Tobago resulted in damage to banks, businessmen's residences, and a country club. The continued demonstrations have contributed to a growing recognition of the movement's political potential in the Caribbean. This sentiment was exemplified by Guyanese Prime Minister Burnham's speech on Sunday including black power as part of a new socioeconomic revolution. In Trinidad, Prime Minister Williams' efforts to embrace the movement have thus far been unsuccessful.

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Uruguay: The largest robbery in the country's history was skillfully executed on 4 April by the Tupamaros, a pro-Castro urban terrorist group. With the aid of a company official, they made off with more than US \$302,000 from a financial company. This money will help in financing their operations. The robbery indicates that the Tupamaros retain the capability to carry out well-planned terrorist acts, although more than 100 of its members are in jail.

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Burma: The government is planning to sell one half of its \$84 million gold reserve to meet its sharply deteriorating balance of payments situation. Burma's rice exports, a major hard currency earner accounting for about half of its total exports, are expected to decline by over 50 percent this year. Rangoon is also faced with debt servicing problems, the most pressing of which is \$40 million due on short-term bankers' credits accrued over the past two years.

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